3 Best Under-$50 Energy Stocks to Buy Now

Description

Thanks to increased economic activities and higher price realizations, the energy sector rebounded strongly from the pandemic lows. Though the resurgent virus indicates that the sector could remain volatile in the near term, I maintain a favourable long-term outlook. With an improving operating environment, I expect the uptrend in energy stocks to sustain in the coming years.

Here we'll focus on three stocks in the energy sector that could handily outperform the benchmark index on higher commodity prices and increased volumes. Furthermore, shares of these companies are priced under $50.

Suncor Energy

Let's start with **Suncor Energy** (TSX:SU)(NYSE:SU), which has recovered sharply from the pandemic lows due to higher price realizations amid improved energy demand. The favourable secular industry trends and a steep rise in crude oil prices led to a noticeable improvement in its financials on both year-over-year and sequential basis.

While the recent weakness in West Texas Intermediate (WTI) prices led to a 20% dip in the Suncor stock in three months, I'm bullish about Suncor's long-term growth prospects. Its integrated assets, improved energy demand, expected increase in production volumes, and favourable revenue mix will likely provide a solid foundation for growth. Further, cost savings measures and a focus on lowering debt are positives.

Thanks to improving fundamentals, Suncor could generate strong cash flows, pay dividends and enhance shareholders' returns through buybacks. Currently, Suncor offers a decent dividend yield of 3.4%.

Canadian Natural Resources

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ) is another top energy stock that investors could consider right now. Notably, this under-$50 stock has appreciated over 98% in one year because of the recent rise in commodity prices. As commodity prices are trending higher, the company has raised its capital budget for 2021 to invest in future growth opportunities.

Its strong business model, robust balance sheet, debt reduction, and ability to generate solid cash flows provide a strong base for future growth. Furthermore, an expected increase in natural gas production and opportunistic acquisitions could drive its financial performance, in turn, its stock.

Due to its cash flow generation capabilities, Canadian Natural rewards its shareholders with attractive dividends. Currently, it pays a quarterly dividend of $0.47 per share, translating into an impressive dividend yield of about 4.3%.

Pembina Pipeline

Pembina Pipeline (TSX:PPL)(NYSE:PBA) is another top energy stock that has gained momentum due to economic expansion and recovery in commodity prices. Despite the recent buying in the Pembina Pipeline stock, I maintain a bullish outlook.

Pembina's highly contracted business, exposure to diverse commodities, and newly secured growth projects augur well for future growth. Further, recovery in energy demand, higher volumes, improved pricing, and operating efficiencies will likely drive its profitability and future cash flows.

Due to its contractual framework and stable fee-based cash flows, Pembina Pipeline has consistently rewarded its shareholders with a monthly dividend and raised it annually by around 5% in the last decade. I expect Pembina to continue to deliver strong total shareholder returns with safe payouts in the coming years. At its current price levels, Pembina offers a stellar dividend yield of 6.2%.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks

TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)
2. NYSE:PBA (Pembina Pipeline Corporation)
3. NYSE:SU (Suncor Energy Inc.)
4. TSX:CNQ (Canadian Natural Resources Limited)
5. TSX:PPL (Pembina Pipeline Corporation)
6. TSX:SU (Suncor Energy Inc.)

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